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14 April 1958
Control No. 133/55

MEMORANDUM FOR: State Department DCP Representative
FROM: CIA DCP Representative
SUBJECT: Levy Auto Parts Company, Limited, Toronto, Canada

CLEARANCES

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1. Permission has been granted, as requested, to transmit the information contained in paragraphs 9 and 11 to foreign service posts in the UK and Canada for ACTION classified SECDEF and to Paris USRC/ST and DCP agencies for BACKGROUND USE ONLY classified SECDEF. Clearance of the OSI information mentioned in paragraph 4 should be obtained through the Department of Defense.

2. It is requested that where CIA source descriptions or numbers are known, no mention of these be made in any further dissemination of this material. Please advise this Agency of the use of the information contained in this report.

3. According to Fraser's International Trade Directory for 1957, Levy Auto Parts Company, Limited, 1140 Weston Road, Toronto specializes in new and rebuilt truck parts and has a complete machine shop service. It is a supplier of radiators, gaskets, mufflers, automotive gears, and axleshafts, power winches, directional signals, fifth wheel auxiliary gas tanks and specialized truck equipment. It has a history of participation in the suspicious shipments of military vehicles and parts dating back to 1951.

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4. Their activities in the procurement and distribution of military vehicle parts in 1951 were described in [REDACTED] reporting the details of a transaction involving approximately 267 tons of tank parts from Honolulu to the subject firm. Levy Auto Parts apparently purchased the equipment from Commerce International China, Limited, Honolulu and arranged its shipment via the Panama Canal, where it was to be transshipped to Canada. While the shipments were considered suspicious by the reporting officer, we have been unable to follow their routing after transshipment from New York. The reporting officer noted the possibility that the subject firm was acting as a "front" for Commerce International China. This latter firm is a subsidiary of Commerce International Corporation, New York whose activities in Communist China trade were

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25X1A2g reported in [REDACTED] (15 February 1950). In view of this suspected connection, there is a strong suspicion that the materials were destined for a Soviet Bloc destination. Principals for the Toronto firm in this transaction were Messrs Ben Levy and Jack Elliott of Toronto and Seymour Levy of Chicago.

5. The next indication that the Levy firm was engaged in illegal trade with the Bloc was discovered in 1955 when a BFC investigation of a diversion of U. S. diesel engine parts to Communist China coincidentally uncovered a similar shipment by the Canadian firm. Levy's involvement in the eventual disposition of the shipment was not determined.

25X1A2g 6. Levy Auto Parts was the subject of another investigation reported to London [REDACTED] on 20 March 1956, wherein the firm was alleged to be purchasing U. S. tanks and gun parts through a U. S. firm for export to the Soviet Bloc. To the best of our knowledge, this report was not confirmed.

25X1A2g 25X1A2g 7. [REDACTED] despatch ([REDACTED] 5 July 1956, repeated to London) reported a possible relationship between "suspicious Italian trader, C.R.A.F.E., Naples and the Levy firm. The Italian firm was actively seeking war surplus auto parts from the United States and Canada. A possible connection through C.R.A.F.E. with the London branch of Gondrand Frères S. A., a notorious East-West trader was also mentioned.

25X1A2g 8. In 1956, [REDACTED] brought to the attention of the 25X1X7 U. S. Embassy [REDACTED] 3 January 1957) an apparent increase in shipments of military vehicles and parts by Levy Auto Parts which might have resulted from the Suez crisis. Noting that the firm had been quite active in numerous foreign markets in the past, they indicated that the suspect shipments differed with respect to the consignee. The U. S. consignees were unfamiliar to Canadian licensing authorities and were suspected of being forwarding agents handling reexport of the goods to the Near East. No information concerning the results of a U. S. investigation of these allegations, if any, are available in our files.

25X1A2g 9. Levy Auto Parts' access to unusually large quantities of U. S. tank parts has been the subject of substantial [REDACTED] reporting during recent years, culminating in an unevaluated report that it probably held more surplus U. S. tank parts than any U. S. distributor and could supply these parts cheaper and quicker than U. S. firms.

25X1A2g 10. [REDACTED] 20 November 1957, reported certain additional information concerning Levy Auto Parts (Great Britain) Limited, participation in the diversion of two consignments of M-10 carriages to Israel. This transaction is, of course, the basis for

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London's request for information on Levy's activities. It also reported a rumor that the Levy firm was at least partially controlled by Wall Street Traders, Inc., New York. No confirmation of this connection has been reported. [REDACTED] 22 November 1957, indicated that Levy was purchasing U. S. military equipment in 1955 for resale to the Premier Group of the UK, which had been debarred from bidding on U. S. A. F. surplus sales because of violations of strategic trade controls.

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11. In the latter part of 1957, Levy was reported by [REDACTED] [REDACTED] to be shipping large quantities of auto parts, some of which have been identified as four wheel drive types, to a number of unscrupulous firms which are undoubtedly reexporting them to Communist China. These parts are known to be U. S. government surplus, and their disposal to a Chinese dealer is undoubtedly a violation of U. S. and/or Canadian export control regulations.

12. It will be noted from all of the above reports, many of which are confirmed by documentation, that Levy Auto Parts never enters into direct negotiations with Bloc recipients of their equipment. They apparently have inexhaustable supplies of military surplus equipment and are constantly disposing of it abroad. The very nature of the equipment lends itself to illegal trade, and the Levy firm may be the innocent dupe in all of these transactions. The number of instances in which their firm has been involved as supplier in illegal transactions, however, would indicate that they are not entirely unaware of the destinations of their sales. If they are not actually involved in negotiations with the Bloc, they must, at least, be classified by Bloc procurement agents as a firm that asks no questions. It would appear then that any transactions in which this firm takes part should be viewed with suspicion by pertinent export control authorities.

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